A BILL PUBLICATION FAST FOOD

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SPECTACULAR PROMOTIONS

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Market Segment Report

Broader menus spice up chicken sales

by Tom Strenk

Chicken seems to have almost universal appeal. Today more than ever chicken is perceived as lighter, leaner, and more nutritious than red meat. For the operator, chicken has a relatively low food cost, is stable in price, readily available, and incredibly versatile.

"We definitely see a shift towards more chicken being used in foodservice," says Bill Roenigk, director of economic research for the National Broiler Council. Today, 35 percent of broiler production tonnage is destined for away-from-home use; five years ago the figure was less than 30 percent.

Restaurants specializing in chicken are common at the fast food level, but rare in the full service segment. Zehnder's of Frankenmuth, Michigan, is an exception. It is the seventh largest independent restaurant in the country, serving approximately 850,000 customers annually. Chicken accounts for an amazing 75 percent of sales; Zehnder's serves as many as 1,200 chickens a day. The most popular item is Frankenmuth Fried Chicken with Mother's dressing, a registered trademark. It is priced at $8.45 a plate or as an all-you-can-eat dinner for $8.95. Executive chef John Zehnder believes that $9 is a ceiling for their chicken dish because customers see the low price of chicken in the supermarket and resist higher restaurant prices.

Foultry prices are generally stable. Last year's avian flu did drive up wholesale prices a few cents but that rise was short lived and more psychological than real. The average wholesale price for broilers in 1984 was 55 cents a pound. There was a four percent tonnage increase in production during the year; 1985 may see a seven percent increase.

Roenigk predicts growth in production and marketing of boneless products, patties, strips and nuggets. Indeed, the phenomenal growth of McNuggets, accounting for eight percent of sales and putting McDonald's into second place as the nation's seller of chicken. (Kentucky Fried Chicken is in first place), had more to do with broiler price fluctu-

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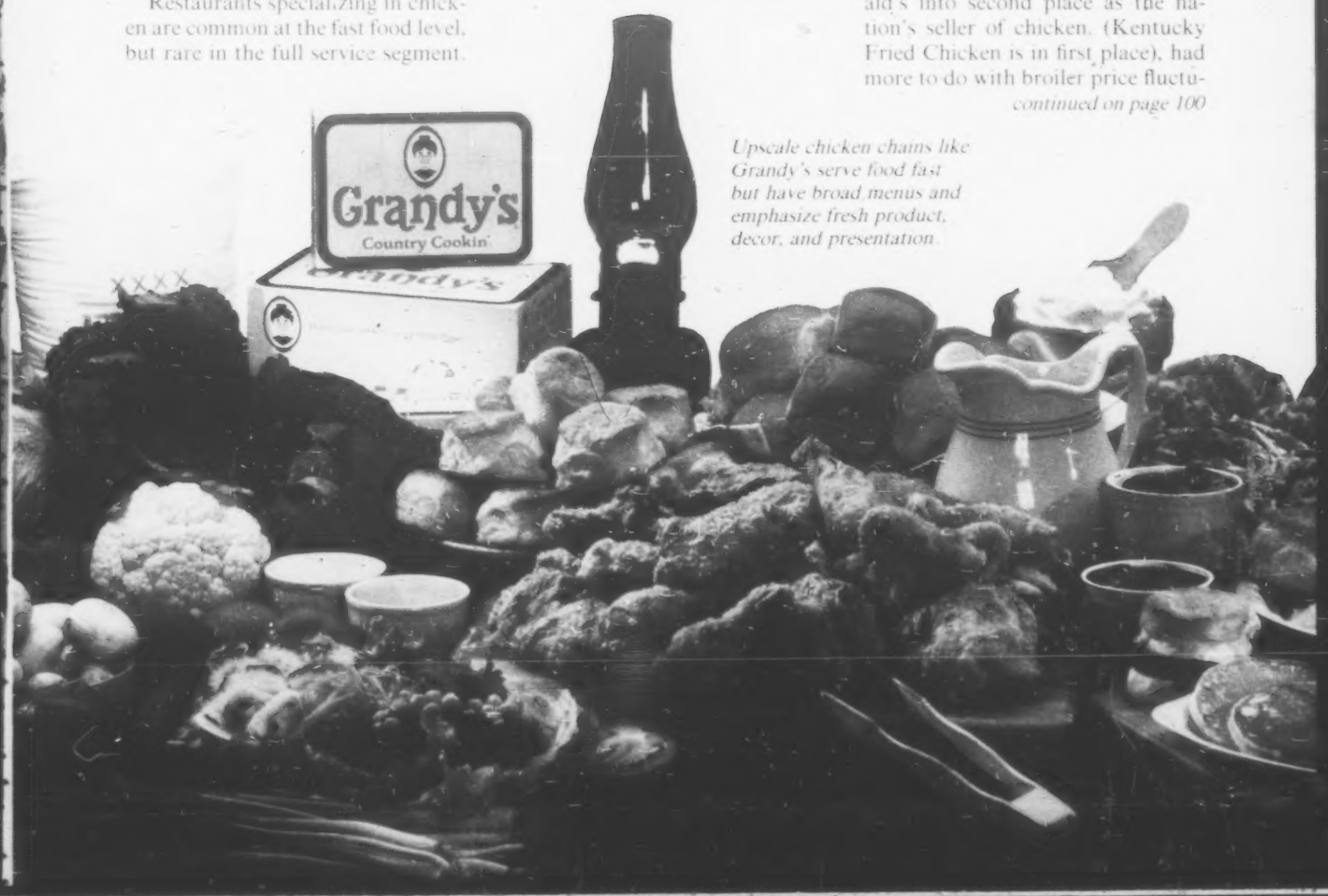

Upscale chicken chains like Grandy's serve food fast but have broad menus and emphasize fresh product, decor, and presentation.

Top: *El Pollo Asado char-broils marinated chicken.*
Center: *Biscuit products account for 50 percent of Mrs. Winner's sales.*
Bottom: *KFC upgraded all company stores to a more contemporary image.*

ations last year than the avian flu. McDonald's is testing Chicken McSwiss, a patty product; and Wendy's is experimenting with chicken parmigiana.

All of the fast food hamburger chains offer a chicken alternative and are considering more. These developments have had their effect upon the chicken-based chains. Virtually all of the chicken chains have followed McDonald's lead with a nugget introduction. They are repositioning themselves in the market, upgrading decor and operations, broadening their menus and their appeal. The chicken market breaks out into four segments: major fast food chains, regional chains, upscale chicken restaurants, and the new char-broiled concepts.

Fast food

Unlike their hamburger counterparts, the major national fast food chicken chains are not battling a "chicken war." The market is nowhere near saturated and expansion activity is steady. Although take-out business is and will continue to form a major portion of sales, there is emphasis on attracting more dine-in business by adding to seating capacity and upgrading decor.

Menu additions are aimed at entering new dayparts, specifically snacks and breakfast. Nuggets are gold. KFC has rolled out Kentucky nuggets chainwide; where supported by, advertising, this product accounts for 12 to 14 percent of sales. Church's, Chick-fil-A, and Golden Skillet all now offer chicken nuggets. Biscuits are big too. They have not only proven popular with customers, adding incremental sales, but also provide a vehicle for breakfast items. In comparison with the upscale chicken restaurants, however, menu changes have been modest and

Top: *Pioneer says that 75 percent of sales are from take-out orders.*
Center: *Solariums will add seats to some Golden Skillet units.*
Bottom: *Brown's Chicken courts dine-in business.*

new items replaced poorly performing ones.

Kentucky Fried Chicken Corp. is the acknowledged leader in fast food fried chicken with a 50 percent share of the market. There are well over 6,000 company-owned and franchised units worldwide. KFC has ambitious expansion plans: the company's goal is to have some 7,800 units open by 1988. Parent company R.J. Reynolds committed $168 million to 1984 expansion, and similar sums will be expended for the next few years. Domestic expansion focuses on the East coast and the burgeoning Sunbelt.

Dine-in business comprises about 30 percent of sales. KFC wants to increase that percentage. New stores will seat 40 to 100, nearly double the capacity of older units. No more take-out-only stores will be built.

KFC is moving back to basics, believing that a limited menu is key to maintaining standards of quality. After some experimenting in the past, stores now serve only two kinds of chicken: original recipe and extra crispy. New Kentucky nuggets are 2/3-ounce deboned chicken, lightly breaded and fried. They are served with a selection of four dipping sauces. Made-from-scratch buttermilk biscuits are a very successful menu addition. Unlike the dinner rolls which were often thrown away, buttermilk biscuits account for incremental sales of eight to nine percent.

Church's Fried Chicken also stresses simplicity of operation. Its Crispy Nuggets are not a menu addition; the product replaced liver and gizzards, items with more limited appeal. Crispy Nuggets are offered in spicy as well as regular flavors. Church's doesn't serve biscuits—the company wasn't in a product intro-

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duction mode when biscuits became a trend. However, new president Rick Sherman has vowed to introduce two new products a year.

An upscale concept is not planned by Church's; a brief experiment with such an idea has been abandoned. But, in 1983, Church's acquired Ron's Krispy Fried Chicken chain for $7.5 million. All 74 units are in the Houston, Texas area; 17 Church's have subsequently been converted to the concept. The Ron's Krispy chain has an expanded menu, salad bar, and more seating than the average Church's. This provides Church's with a forum to test menu items. Ron's is now testing a pita-bread-based breakfast menu.

A new prototype mini-store was developed by Church's to supplement the standard 50-seat and 22-seat units. The take-out/drive-thru-only mini-store is 14 feet by 30 feet. Land, site, and building costs run about $250,000. The menu is limited to items that do not require frozen storage. Ten mini-stores are open; 15 are under construction. Church's is actively seeking sites, and envisions many uses: The mini-store is adaptable to mall applications and small, irregularly-shaped lots; and stores can enter marginal markets or efficiently fill out existing markets.

As of September, 1984, Church's operated 1,493 units; about 80 percent are company-owned. Church's franchising department has been reorganized and revitalized; in five years franchised units will balance company units. Growth will be fueled in part by acquiring small chains. In 1985, Church's will open 100 to 120 new units. Inner city locations form the heart of the chain's customer base, but now Church's is evolving out to the suburbs. Marketing efforts are being stepped up; advertising expenditures may top $22 million this year.

Popeyes Famous Fried Chicken & Biscuits is the Jefferson, Louisiana-based chain that began the spicy chicken trend 13 year ago. The chain was founded by Al Copeland in 1972 with a tiny outlet in Arabi, Louisiana. With one of the highest average per unit volumes of any major chicken chain, Popeyes catapulted into the number three slot in a very short time. Popeyes reported sales of $305 million in fiscal 1984 (ended October, 1984). Average unit volumes were $760,000 for the year. Checks averaged $3.90. Chicken accounts for 65 percent of sales, with take-out accounting for 75 percent of the total. At the end of 1984, Popeyes had a total of 575 units, 480 franchised and 95 company-owned. This year Popeyes will fill out its markets with 125 franchised units and 10 company stores.

As indicated by its name, Popeyes Famous Chicken & Biscuits places biscuits prominently on its menu. Biscuits were rolled out two years ago and account for about 25 percent of sales. In keeping with its Louisiana origins, the chain has been testing red beans and rice; that product is being rolled out in some regions and will soon go national.

Chick-fil-A introduced chicken nuggets way back in 1982 but hasn't placed emphasis on the product. Chick-fil-A differs from other major chains in that its primary menu item is a boneless breast of chicken sandwich rather than parts. Another menu departure is hearty breast of chicken soup. Chick-fil-A's check average is $2.37, up slightly over 1983. Stores average annual sales of $510,000. 1984 sales were reported near $155 million. At the close of 1984, 305 units were in operation in 31 states. In 1985 Chick-fil-A will open 30-35 units and will continue that rate of expansion for the next decade. Chick-fil-A also differs in that all but three units are mall locations. Stores are tailored to fit individual sites, with emphasis on installing as much seating capacity as possible.

Chick-fil-A has embarked upon a $2 million renovation and remodeling project. Some units will receive a minor facelift with new wallpaper and wall decor, costing $5,000 each. The familiar red and white color scheme will be phased out in favor of more contemporary earth tones. Many units were built before 1974; these older stores will undergo major remodeling, costing $50,000 per unit. In total, 95 units will sport the new look by the end of this year.

Founded in 1963 by Clifton Guthrie, Golden Skillet International, Inc., was acquired by International Dairy Queen in 1981. The chain is international in scope with 92 units in the U.S., 15 in Puerto Rico, two in Trinidad, and 19 in Japan. The company does plan to expand but would

Chick-fil-A's menu star is a boneless breast filet of chicken served on a hot buttered bun with pickles.

not quantify those plans. "We don't want to lock ourselves into numbers," says executive vice president Charles Cicotas.

Golden Skillet is in the process of upgrading. Drive-thrus will be added. A solarium addition will expand seating capacity in some units.

A nugget product was rolled out late last year, and more condiments may be added to Golden Skillet's popular chicken sandwich.

Upscale chicken

Upscale chicken restaurants are the country cousins of the fast food chains. Actually there is a very fine line of distinction between them and as fast food evolves, that distinction blurs. The upscale chains give quick service — as fast as fast food — but they have broader menus and place greater emphasis on fresh product, decor, and presentation. Ed Tobinson, president of Grundy's, sees the upscale chains as a bridge between fast food and coffee shops and dinner houses. Check averages are roughly the same as fast food, but upscale restaurants do slightly higher sales volumes. With their extra seats, the upscale restaurants cost more to build.

Whereas fast food chains keep menus limited, the upscale chains are constantly testing and rolling out new items. For example, Sisters has an extensive salad bar, a baked potato bar, and a make-it-yourself sundae bar. While chicken accounts for the major portion of fast food sales, it is only about 20 percent of upscale restaurant sales. Indeed, many of the upscale chains are moving away from the chicken-store image — even to the point of removing the word from their name — towards a "country cooking" image. Biscuits are not an afterthought, but are the core of many upscale menus.

Upscale chicken restaurants offer more amenities. It is a sit-down dining experience, eating from a plate with knife and fork, not out of a box. Grundy's "greeters" function as goodwill ambassadors, tending to the needs of customers. Bojangles busses tables so that there are no unsightly trash receptacles in the dining room.

Bojangles' Famous Chicken 'N Biscuits, founded in 1977 by Jack Z. Fails and Richard B. Thomas in Charlotte, North Carolina, was one of the first upscale chicken concepts. A Hardee's subsidiary, Bojangles has 290 units, and 1984 systemwide sales in excess of $200 million. After the first year of operation, units average over $600,000 in sales. Based in the Southeast, Bojangles is a fast growing chain. Plans are to build over 200 units this year, entering 8 to 10 new states. Bojangles' units have a New Orleans flavor. There are five different decor packages and most units seat about 80.

Bojangles' check average is $2.70. More than 50 percent of sales are from take-out. Bojangles serves spicy chicken and there are no plans to add other fried chicken varieties. Also on the menu is a chicken filet biscuit, Cajun dirty rice, and Cajun pinto beans. (The term Cajun is used to describe Bojangles' spicy flavor.)

Biscuit sandwiches are served all day. The product is so important to Bojangles' that the company has established a master biscuit maker training center.

Mrs. Winner's Chicken & Biscuits is based in Tennessee and has 180 units, 117 of which are company-owned. Averaged unit volume is $725,000. Units range in size from 52 to 92 seats, but 90 percent are a standard 68 seats; cost to build, including land, building, and equipment, is $600,000.

Originally Mrs. Winner's was a

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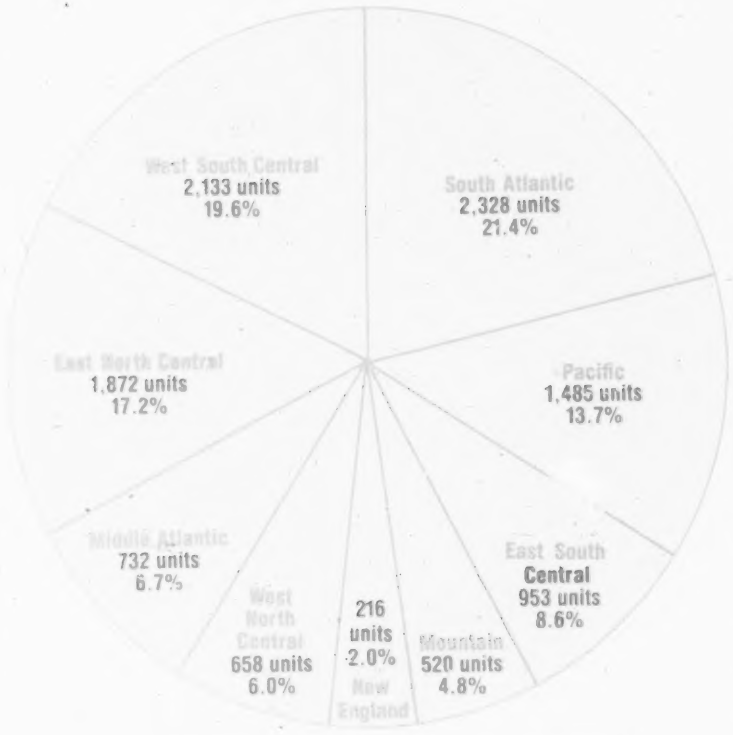
South dominates chicken market

Two regions, the South Atlantic and West South Central, account for over 40 percent of total chicken restaurants. That is not to discount the East North Central region which represents 17.2 percent.



Percentages represent distribution of chicken-oriented restaurants by Census regions. There are 10,879 chicken restaurants in the U.S., 3 percent of total U.S. restaurants.
Source: Restaurant Consulting Group, RE COUNT, Spring 1984

fast food chain, but the company began in 1982 to upscale the concept by upgrading decor and broadening the menu. The chain may change its name to more accurately describe the concept; chicken accounts for only 20 percent of sales. Biscuit products, including breakfast items which are served all day long, account for 50 percent of sales. Because it is a signature item, biscuits are made from scratch, not a premix. Breakfast is the biggest daypart, accounting for 35 to 40 percent of sales in established markets. Mrs. Winner's country breakfast platter includes grits. Recently rolled out items include an entree baked potato and a cinnamon swirl bun. Some stores have salad bars which add flexibility. The chain is not happy with its weak dinner business, and intends to reposition itself in 1985.

The company has built quite a few units in the past few years, and 1985 will be a catch-up year. The company may build 15 to 18 stores, but most of the growth will come from franchisees who may add 50 to 60 units.

Grandy's Country Cookin' doesn't even mention chicken in the restaurant name. However, chicken does account for 25 percent of sales. Emphasis is on freshly-prepared foods. "Fast Food that doesn't taste fast," is Grandy's theme. Check average is $2.85, and unit volumes average $1.7 million. System-wide sales for fiscal 1984 were $53.9 million. The chain sees fast food, coffee shops, and dinner houses as primary competitors.

Grandy's menu has expanded over the years. Three years ago country breakfast was introduced; salad bars were also added. This year, smoked barbecue ribs were rolled out. A country fried steak dinner is another popular item. In addition to biscuits, Grandy's makes a yeast roll from scratch, and has added a cinnamon roll. Grandy's will add no new products this year.

The first Grandy's was opened in 1973 in Lewisville, Texas, by founders Walter Johnson (Ed) and Rex Sanders. The chain was acquired by Saga Corp., in 1983 for $66 million. Grandy's has expanded rapidly; it grew 100 percent in 1983. Saga's strategy is to expand as rapidly as possible without sacrificing quality. Grandy's has 130 units, mostly in the Southwest, and will develop that area and contiguous markets to generate synergy and awareness levels. In the fiscal year ending June, 1985, the company will build 30 units and franchisees will add 30 to 40 units. Most stores are freestanding, with 140 seats, and cost $800,000 to $900,000 to build.

Sisters Chicken & Biscuits is a wholly owned subsidiary of Wendy's International. Sisters shares many characteristics with its sister chain, including a large variety of side dishes, salad bars, and baked potatoes. The upscale quality of Sisters is manifest in its decor: a white picket fence and flower beds outside, "country classic" decor inside. The attractive decor apparently attracts dine-in business: 60 percent of sales are rung up on the inside register.

Sisters' menu began with spicy chicken, biscuits and breakfast. The mildly-spiced chicken, and a country steak and gravy dinner were added. The most popular item is a two-piece chicken dinner which sells for $2.69 and makes up 20 percent of sales. Check average in company-owned stores is $3.97. An unusual item is Sisters' creamed chicken, selling for $1.79, or $2.69 as a dinner. Deboned chicken is mixed with a cream base, carrots and peas, and

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Fledgling chain Marco Pollo will introduce char-broiled marinated chicken to customers West of the Rockies.

served over biscuits. Because it is made from chicken that can't be held any longer, the item cuts down on waste.

Light Idea sandwiches and platters were rolled out in mid-1984. The six sandwiches are served on deli-style rolls and whole wheat toast; there are two salad platters, chicken and tuna. The Light Idea line accounts for 8 to 13 percent of sales.

The Light Idea is part of Sisters' repositioning effort. The chain is intent upon broadening its customer base and increasing dining frequency. Lunch is a new daypart for Sisters; it is doing so well that some units have enlarged the porch area, increasing seating to handle lunch crowds. Units average 102 seats. In the Columbus, Ohio, market, company-owned units average annual volumes of $1 million. Sisters has 70 units in 16 states; 24 are company-owned, 46 are franchised. In 1985, Sisters will develop one more major market—but declined to say where. Growth will primarily be through franchised stores. Sisters plans to open 600 units in the next five years.

Char-broiled chicken

The latest and perhaps most significant trend in the chicken market segment is Mexican-style char-broiled chicken. Fresh, whole chickens are butterflied, then marinated in an often "secret" blend of herbs, spices, and fruit juices. The product is slow-broiled for about 45 minutes, and batches are staggered to maintain a steady supply without excessive waste. The chicken is cut into eight pieces and served with salsa and tortillas. Because it is broiled rather than fried, the product is touted as being more nutritious—a marketing advantage in light of lite consumer trends. El Pollo Loco claims that its meal is 25 percent larger by weight to comparable fried chicken but that it has equal calories, 65 percent more protein, 30 percent less fat, and 20 percent less sodium.

The segment is dominated by independent operators in Mexico and Southern California. The first chain is El Pollo Loco (the Crazy Chicken). It began in 1975 at a roadside stand in Guasave, Mexico, owned by the Ochoa family. Now there are over 90 units in 20 Mexican cities. The first U.S. El Pollo Loco opened in Los Angeles in 1980 and grew to 19 units. In 1983 foodservice giant Denny's Inc. (1984 sales of $1.36 billion) acquired the U.S. units plus worldwide (except Mexico) development rights for $11.3 million in cash.

"We believe the time has come for a major organization such as Denny's Inc., to change what is so far pretty much an independent operator's phenomenon into a truly national modern foodservice system," says El Pollo Loco's president Donald Pierce. In the year following the acquisition Denny's has been refining the concept and gearing up for expansion. At year end 1984, there were 30 units in operation. The chain will double in size in 1985. Expansion will concentrate in Southern California. The chain has acquired seven units in Houston for conversion, and plans to enter the Phoenix market.

New units will be constructed according to the "big city contemporary" look of the prototype unveiled late last year. The freestanding, white stucco buildings will have lots of glass and a tile roof. Signage has been redesigned but the new look retains the familiar red and white colors. New interiors break with traditional units, utilizing natural wood tones, plants, and decorative tiles.

The char-broiled chicken hasn't been changed. Denny's considers it sacred. The eight-piece whole chicken with salsa and 10 tortillas costs $6.29; half a chicken is $3.19. A two-piece combination plate, priced at $2.59, may encourage more dine-in business. Flour tortillas are now offered as an alternative to corn tortillas. Additional desserts and drinks have been added to the menu.

Transaction average is $7.50. Some El Pollo Loco units gross over $1 million; an estimate of an average unit's volume is $750,000. Marketing is targeted towards both Anglo and Hispanic customers. When the density of units in Southern California is sufficient, English as well as Spanish advertising will be used. The chain will stay close to its roots. The El Pollo Loco logo includes the line, "The Original Mexican char-broiled chicken." Denny's has the lead in this segment and it intends to keep it.

The Phoenix-based, five unit (two more under construction) El Pollo Asado chain is a close competitor in terms of product and presentation. The company was founded in 1983.

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Church's offers its Crispy Nugget product in spicy as well as regular flavor.

by ex-Garcias executives Richard Lipson and Richard Peterson, who developed their recipes on a backyard grill. El Pollo Asado's menu ranges from a two-piece chicken dinner to a meal serving eight to 10 people, priced at $16.29, but the "chicken average" is $8.60. An El Pollo Asado unit will serve 350 chickens a day on the weekend. The char-broiled chicken is served with corn or flour tortillas, salsa, and a variety of side dishes. El Pollo Asado also offers a barbecue chicken sandwich, and is rolling out char-broiled chicken wings with barbecue sauce.

The average El Pollo Asado unit seats 48 with a patio seating 36. However, 70 percent of sales are take-out. Actual monthly volume, based on a 28-day cycle, for one store is $62,000; other units do close to that figure.

Expansion will be carried out through franchising and focus initially in the Phoenix area and the Southwest. A public stock offering of 666,000 shares will raise $2 million to implement that program. Due to a mandatory 90-day quiet period following the stock offering, Lipson could not release any plans or projections.

Entrepreneur Philip Goldman purchased the name Marco Pollo and proprietary recipes from a mom-and-pop operation in Los Angeles. Using his experience as a former Arby's executive, Goldman designed a market package around the product and is introducing char-broiled chicken east of the Rockies. "The ambience is more sophisticated, the operational economics are more efficient," says Goldman. The chicken product is similar to Loco's and Asado's, but accompanying tortillas are made of a combination of corn and wheat flours. A half chicken with tortillas and salsa is $3.89; a whole bird $6.39. The transaction average is $5.25. Goldman expects annual unit volumes to average $800,000. He predicts 45 percent of sales will be from drive-thru service.

The first prototype opened last September in Florence, Kentucky, just outside Cincinnati. Two operations are open, two more are under construction. Franchises have been sold for limited segments of markets in Ohio, Texas, California, and Florida. Franchises are sold within specific regions of an ADI with an entry-level commitment of five units.

Print ads, radio spots and a direct mailer are aimed at educating the consumer about the product. "Pollo is the coming thing," believes Goldman. "It's the hottest food trend now, and will sweep the country."

Regional chains

The chicken market segment is made up of many independent operators and small chains. The regional chains share many of the characteristics, concerns, and strategies of the major chicken chains. Most have rolled out biscuits, are upgrading decor and experimenting with new prototypes, and are trying to attract more dine-in business. Regionals are often innovative: Brown's Chicken has found success with off-menu specials, and is testing "fast food catering" in Chicago. Pioneer Take-Out will feature exhibition biscuit making; and Chicken George has developed a chicken a la king product. Regional chains are an important force in the chicken market segment.

Los Angeles-based Pioneer Take-Out Corp. caters to the very mobile society of the Southwest. Take-out accounts for 75 percent of sales; one-third is drive-thru. Emphasis is on speed of service and quality. Pioneer has 300 units in operation, of which 70 percent are franchised. The major share of units, 90 percent, are sited in California, mostly in Los Angeles. Pioneer also has a presence in Hawaii and Arizona, and three stores in Indonesia.

For the past few years, sales have been flat with little or no growth. "But we're back on track with new direction," declares Al Prospero, senior vice president of operations. A recent reorganization, new marketing policies, and new president Frank Damonte have spurred new enthusiasm and momentum. The company has turned around, reporting 15 percent growth in the fourth quarter of 1984. Sales for the year are $100 million. Average unit volumes are up: $7,760 per week this year versus $6,000 last year. Check averages are up six percent to $4.16, largely due to incentive programs. Expansion has been equally dramatic. Pioneer opened 12 stores in 1983, seven in 1984. In the first quarter of 1985 alone, the chain added 15 units, and plans to open a total of 30 to 40 this year.

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El Pollo Loco is the original Mexican char-broiled chicken concept.

Sister's Chicken & Biscuits is the Wendy's of the chicken segment.

Other chicken chains may talk about upscaling, but Pioneer is downscaling—to a smaller prototype for certain locations. The 1,280-square-foot unit will have a drive-thru plus patio seating. Pioneer is also changing its kitchen layout. In the new design, the counterperson will take orders, assemble and dispatch them in seconds. Three registers allow three orders to be filled simultaneously. The drive-thru will be self-sustaining with its own station. Some stores will be remodeled with an exhibition biscuit station.

This will aid merchandising of Pioneer's biscuit entry. They account for five percent of incremental growth. Twenty stores are testing a biscuit-based breakfast. Pioneer also rolled out country spicy chicken, garnering incremental sales of 8 to 10 percent.

Brown's Chicken is based in Chicago. Its prices are on a par with the other chicken chains, and take-out accounts for the biggest portion of business. But rather than skewing towards take-out, Brown's is actively courting dine-in business. Advertising positions the chain as a full dining experience. TV spots show families eating in attractive dining areas. The chain continually upgrades store interiors. Brown's image is the "country kitchen" look. Units seat 70-80, and have salad bars.

Brown's off-menu specials are recombinations of menu components and test items. A recent month-long "designer dinner" special proved so popular that some stores have made it permanent. Spicy chicken is testing very well. Brown's also tested a marinated, char-broiled barbecue chicken—it is on the back burner but Brown's believes that the product still holds promise. Brown's Chicken has 160 units, and will concentrate on filling out the Chicago ADI. A franchisee has 15 stores in South Florida, and will add 15 more units.

Texas-based Golden Fried Chicken of America was established in 1952, and grew from 39 units to 140 units in just two years. Some of this growth is due to the acquisition of the 57-unit Holly Farms chain in North and South Carolina. Most of Golden Fried's units are in non-metropolitan areas and small communities. The company hopes to add 200 units this year.

Golden Fried's biggest seller is the "country dinner" special, selling for $2.49. The chain recently rolled out a fresh-baked chocolate chip cookie, and has a cheese-blended biscuit.

New president and chief executive officer Steven G. Neeley hinted that something big was in the works for Golden Fried, but declined to give any details.

Memphis-based New Orleans Famous Fried Chicken boasts a high check average of $4.45, and has a high percentage of dine-in business: 60 to 65 percent. Serving only lunch and dinner, units average sales of $8,000 per week.

New Orleans has 39 units in Mississippi, Alabama, Arkansas, and Tennessee. Only 20 percent are franchised, but greater emphasis will be placed on franchising in 1985 when the chain plans to add 25 units. A new prototype steeps diners in a New Orleans atmosphere, with ceiling fans, French doors and New Orleans ragtime. The dining area will be larger, seating 40-60. In addition to its hot 'n' spicy and regular Krispy fried chicken, New Orleans is rolling out a biscuit breakfast.

The Houston-based Hartz Krispy Chicken chain has 44 units, 34 in the Houston area, seven in Mississippi, and the rest in Alabama and Georgia. In 1985, Hartz will add five units, one in Atlanta, a new market. Company-wide sales for 1984 were in excess of $20 million. Units generate average annual sales of $500,000. Hartz's check average is a high $4.

Take-out accounts for 60 percent of sales; all units have drive-thrus. The average unit seats 60, but new stores will seat 90. A new prototype has been developed to facilitate Hartz's buffet. The all-you-can-eat buffet offers fried chicken and vegetables in a salad bar format. The buffet is offered in nine company stores and in one-third of franchised units. It has been well received; some stores sell as many as 400 buffets a day. Priced at $3.49, the buffet is profitable because chicken consumption averages 2.8 pieces per customer.

Baltimore-based Chicken George has 15 company-owned stores and three franchised, a total of 18 units. Most are inner city locations, and the customer base is black. In 1985, Chicken George intends to expand out of the inner city and open 10 units.

Southern-style food is served: mild and spicy fried chicken, spicy rice, greens, biscuits, and chicken gumbo. Recently the chain rolled out chicken a la George—similar to chicken a la king. Check average is $3.60. The average unit seats 46, but 80 percent of sales are take-out. Average unit volume is $900,000, down somewhat from previous years. "In our market the economy hasn't picked up yet," says Ted Holmes, "president and founder. "Growth has been a little slower than in previous years. Now we are looking at the market and site selections carefully. We've become more conservative."